

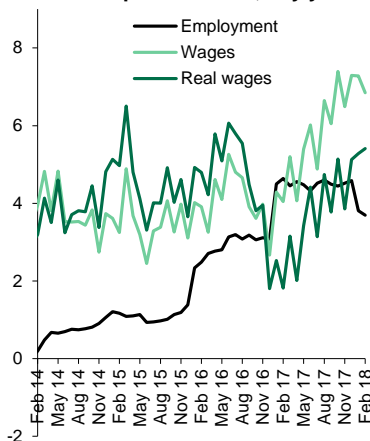
ECONOMIC COMMENT

16 March 2018

Labour market data slightly below forecasts

Employment in the corporate sector rose by 3.7% y/y. Employment growth was weaker than we expected, but rise in monthly terms was second-strongest in last 6 years, showing that demand for labour remains robust in the Polish economy. Wages rose 6.8% y/y, less than expected by us (7.5%) and the consensus (7.2%). In our view, the weaker wage growth was primarily due to shifts in timing of bonus payments in mining. We expect the wage growth will return above 7% y/y in the months to come. The real wage bill in the enterprise sector rose by 9.3% y/y in February, the same as in January. The strong growth of households' incomes will be supportive for the private consumption, which will rise by c5.0% in the 1H2018, in our view.

Employment and wages in corporate sector, % y/y

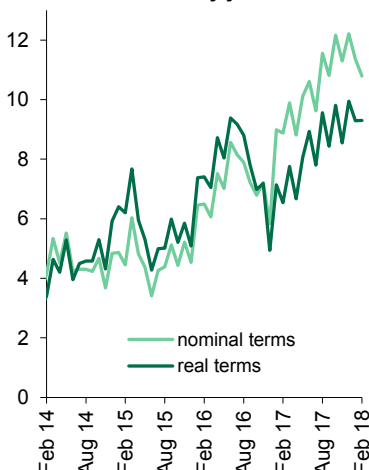


Employment in the corporate sector rose by 3.7% y/y or 10.4k m/m, slightly lower than we expected (3.8% and 14k). Employment growth was weaker than in Feb 17 (16.5k), but stronger than in 2012-2016, so we cannot call it a major disappointment. In our view, demand for labour remains strong in the Polish economy, which is shown, e.g. by rising number of job offers.

Wages rose 6.8% y/y, less than expected by us (7.5%) and the consensus (7.2%). We do not know yet which category was responsible for that deceleration vs January's 7.3% and this will be revealed in the Statistical Bulletin due to be released on March 23. The effect of lower number of working days was partly responsible for this slowdown, particularly in case of manufacturing, but there might have also been some shifts in timing of bonus payments in mining. Some big mining companies reintroduced the so-called 14th wage bonus. We assumed this money will be disbursed in February, but today's reading suggests this could happen in a different month. In our view, the wage growth will return above 7% y/y in the months to come.

In February the real wage bill in the enterprise sector rose by 9.3% y/y, in the same scale as in January and above the average growth in 2017 (8.3% y/y). The strong growth of households' incomes will be supportive for the private consumption, which will rise by c5.0% in the 1H2018, in our view.

Wage bill in corporate sector, % y/y



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